

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN SA 03379 231421Z

50

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 AGR-20 AID-20

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01 OMB-01

PA-04 PRS-01 USIA-15 STR-08 DRC-01 /180 W

----- 036353

R 222223Z AUG 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 6234

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY TEGUCIGALPA

AMEMBAJSY SAO PAULO

AMCONSUL RIO DE JANEIRO

AMCONSUL LUANDA

LIMITED OFFICIAL USE SAN SALVADOR 3379

EO 11652: N/A

TAGS: ETRD, EAGR ES

SUBJ: COFFEE: EL SALVADOR CONFIRMS ITS SALES BOYCOTT

REF: SAN SALVADOR 2791

1. WIRELESS STORIES FROM LONDON ON AUGUST 17 ALLEGED EL SALVADOR
HAD BROKEN WITH COFFEE PRODUCERS AND WAS ACTIVELY SELLING. A
REBUTTAL BY THE SALVADORAN COFFEE COMPANY (CSC) LED TO A FOCUS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN SA 03379 231421Z

ON COFFEE BY PRESIDENT MOLINA AND CONFIRMATION BY HIM, THE

COUNCIL OF THE NATIONAL COFFEE DEPARTMENT (DNC) AND THE COFFEE GROWERS ASSOCIATION OF THE SALES EMBARGO UNTIL THE COFFEE PRICE IMPROVES. THE CSC REPORTS RECEIVING INFORMATION FROM OTHER PRODUCER COUNTRIES OF THE SAME POLICY. THUS THE CSC'S EXPORT REGISTER REMAINS CLOSED.

2. ECONOMIC MINISTER HIDALGO QUEHL, IN PUBLICIZING THE REAFFIRMATION, SAID 1.8 MILLION BAGS OF COFFEE HAD BEEN SOLD IN THE COFFEE YEAR BEGINNING OCTOBER 1, 1973 (1.44 MILLION IN CALENDAR 1974) FOR \$159 MILLION, WHICH AVERAGES \$67.95 CWT. CSC PRESIDENT TINOCO TOLD EMBOFF CURRENT STOCKS STAND BETWEEN 600,000 AND 700,000 BAGS (60 KILOS); THAT THE WIDE VARIATION IN CHERRY WEIGHT (510 TO 615 LBS). TO CWT OF BEANS MAKES ESTIMATING DIFFICULT. WHEN QUERIED ON THE REALITY OF THE "OTHER MILDS" SALES EMBARGO, TINOCO SAID ONLY EL SALVADOR HAS SIGNIFICANT STOCK; "MEXICO AND GUATEMALA HAVE SOME."

3. TINOCO SAID THAT WHILE THE MARKETING ORGANIZATION "OTRAS SUAVES" IS IN METAMORPHOSIS IT HAS BEEN BUYING AT TERMINAL MARKETS. HE NOW SPEAKS OF U.S. STOCKS AT 7 MILLION BAGS, AS AGAINST A "NORMAL" 4 MILLION, AND CONFESSED THAT "OTRAS SUAVES" DOES NOT HAVE THE FINANCIAL BASE TO AFFECT SUCH A LARGE OVERHANG (HE MENTIONED ACCESS TO \$100 MILLION). HE IS NEVERTHELESS MILDLY OPTIMISTIC THAT IN THE SHORT-TERM THE EUROPEANS WILL RESUME SIGNIFICANT BUYING AND THAT A COMBINATION OF U.S. STOCK DRAWDOWN AND WORLD MARKET IMBALANCE DUE TO INADEQUATE SUPPLY WILL FIRM PRICES. TINOCO POINTS TO THE SUCCESS IN THE CSC'S EMBARGO IN OCTOBER/NOVEMBER 1973 AS PRECEDENT FOR SHORT-TERM ACTION TO WAIT OUT PRICE PROBLEMS.

4. COMMENT: THE UNITED FRONT BETWEEN THE CSC, GOES AND PRODUCERS IS MISLEADING. THE PRODUCERS SUPPORT THE SALES EMBARGO GIVEN THAT SO MUCH IS ON HAND AND THE PRICE HAS DROPPED SOME \$11 CWT SINCE JULY. BUT THEY ARE PRIVATELY STRONGLY CRITICAL OF A POLICY WHICH HAS LEFT EL SALVADOR AS THE ONLY "OTHER MILDS" PRODUCER CAUSTHT WITH SIGNIFICANT STOCKS AFTER THE WOULD-BE U.S. DOCK STRIKE, BEING AS IT WERE THE PUREST AMONG THOSE PLEDGING TO FREEZE SALES. AS AN EXAMPLE OF HOW UNEVENLY THE EMBARGO HAS AFFECTED GROWERS, ONE COFFEE COOPERATIVE REPORTEDLY HAS BEEN ABLE TO EXPORT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN SA 03379 231421Z

ONLY SOME 13,000 BAGS OF ITS 50,000 BAGS 1973/74 PRODUCTION. AGAIN WE HEAR THE EXPRESSION "DR. FALLA'S (MANAGER OF THE CSC ANW DNC) FALLA (FAILURE)". THE ECONOMIC IMPACT OF THE FALL IN COFFEE PRICES, ON WHAT IS ALREADY A FRAGILE ECONOMIC SITUATION, IS SERIOUS. USING AN ANNUAL EXPORT FIGURE OF TWO MILLION BAGS, EACH ONE DOLLAR DROP IN PRICE PER CWT IS A LOSS OF \$2.6 MILLION IN EXPORT EARNINGS AND \$0.8 MILLION IN GOES REVENUES FROM AD VALOREM EXPORT TAXES. IF PRICES

DO NOT RETURN TO THE \$70 LEVEL THIS CURRENT SALES POLICY
WILL HAVE COST THE COUNTRY A MINIMUM OF \$10 MILLION.
MOSKOWITZ

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, PRESS COMMENTS, BOYCOTTS, TRADE ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANSAS03379
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740233-0704
From: SAN SALVADOR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740826/aaaaavza.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: SAN SALVADOR 2791
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2002 by boyleja>; APPROVED <04 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE: EL SALVADOR CONFIRMS ITS SALES BOYCOTT
TAGS: ETRD, EAGR, ES, ICA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005